

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-08 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /096 W

-----092345Z 113945 /62

R 091734Z FEB 77

FM AMEMBASSY GUATEMALA

TO SECSTATE WASDC 4777

UNCLAS GUATEMALA 0837

E.O. 11652: N/A

TAGS: ETRD, GT

SUBJ: IMPACT OF THE GENERALIZED SYSTEM OF PREFERENCES IN
GUATEMALA AFTER ONE YEAR

SUMMARY: IN RESPONSE TO ARA/ECP INTEREST, THE FIRST YEAR'S
IMPACT ON THE GENERALIZED SYSTEM OF PREFERENCES (GSP) IN
GUATEMALA HAS BEEN ANALYZED BY THE EMBASSY. DATA AND OPINIONS
WERE OBTAINED FROM OFFICIAL AND PRIVATE SECTOR GUATEMALAN AND
US SOURCES. OUR CONCLUSION IS THAT INITIAL RESPONSE TO GSP
HAS ALREADY CAUSED NEW INVESTMENT, NEW JOBS AND AN INCREASE
OF NON-TRADITIONAL EXPORTS, AND THAT MORE IS EXPECTED WITH
CONTINUED PROMOTION. END SUMMARY.

1. US DATA FOR THE FIRST EIGHT MONTHS OF 1976 SHOW THAT 37
NEW PRODUCTS ELIGIBLE FOR THE GSP WERE IMPORTED FROM GUATE-
MALA. HOWEVER, ONLY 22 OF THEM ACTUALLY ENTERED DUTY-FREE
UNDER THE GSP. IN FACT, ONLY ABOUT 75 PERCENT, IN VALUE, OF ALL
GSP ELIGIBLE GUATEMALAN IMPORTS DURING THAT PERIOD ENTERED
DUTY-FREE. THIS IMPLIES THAT DUTY WAS PAID UNNECESSARILY ON
THE REMAINDER AND THAT MANY EXPORTERS, AS WELL AS IMPORTERS,
REMAIN UNINFORMED ABOUT THE GSP. THE GOG IS MAKING
DETERMINED EFFORTS TO BETTER INFORM THE EXPORTERS. IT
APPEARS THAT IMPORTERS COULD LIKEWISE BENEFIT FROM FULLER
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INFORMATION.

2. RELATIVE TO OTHER INDUSTRIALIZED COUNTRIES' PREFEREN-
TIAL SYSTEMS, APPROXIMATELY 85 PERCENT OF THE 3,000
CERTIFICATES OF ORIGIN ISSUED BY THE GOG IN 1976 WERE
FOR SHIPMENTS TO THE US.

3. A REVIEW WITH INDIVIDUAL COMPANIES WHICH ARE TAKING ADVANTAGE OF THE GSP SHOWS THAT IN ALL CASES THEIR EXPORTS HAVE INCREASED. QUANTIFICATION IS DIFFICULT, BUT BENEFITS FROM THE GSP ARE CITED BY BUSINESSMEN AND GOG OFFICIALS AS HIGHLY IMPORTANT. FOR A NUMBER OF COMPANIES, THE GSP HAS LED TO AN IMPORTANT EXPANSION OF PLANT AND EMPLOYEES. FOR A FEW, IT HAS MEANT THE DIFFERENCE BETWEEN PROFIT AND LOSS.

4. THE GSP HAS ALSO CAUSED SOME DISTORTION OF TRADE PATTERNS AS A FEW US FIRMS SHIFTED TO NEW SUPPLIERS. FOR EXAMPLE, IMPORTS OF PLANTAIN PRODUCTS FROM THE DOMINICAN REPUBLIC EXCEEDED THE COMPETITIVE NEED LIMITS IN 1975. SO, ONE FLORIDA FIRM WHICH TRADITIONALLY PURCHASED PLANTAIN PRODUCTS FROM THE DR PLANS TO BEGIN PURCHASES IN GUATEMALA IN ORDER TO IMPORT THAT PRODUCT DUTY-FREE.

5. IN RESPONSE TO GSP INCENTIVES, SEVERAL US FIRMS HAVE ACCELERATED THEIR INVESTMENT IN LABOR-INTENSIVE, EXPORT-ORIENTED GUATEMALAN SUBSIDIARIES. SPECIFIC CASES ARE KNOWN IN WHICH LOCAL INVESTMENT IS ALSO RESPONDING TO THE GSP. WE CONCLUDE THAT THE DESIRED EFFECT OF THE GSP ON JOBS, INVESTMENT, AND INCREASED EXPORTS WILL ACCELERATE AS THE GOOD WORD SPREADS, BUT DISSEMINATION REQUIRES CONTINUED EFFORTS.

6. DETAILED AIRGRAM FOLLOWS.
BOSTER

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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